Supreme Court, U.S.
FILED
OCT 6 1994
OFFICE OF THE CLERK

No. 94-426

In The

Supreme Court of the United States

October Term, 1994

SNAP-TITE, INC.,

Petitioner,

v.

NATIONAL COUPLING COMPANY, INC.,

Respondent.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

BRIEF IN OPPOSITION

CHARLES S. COTROPIA
Counsel of Record
WESLEY T. NOAH
RICHARDS, MEDLOCK
& ANDREWS
1201 Elm Street
4500 Renaissance Tower
Dallas, Texas 75270-2197
(214) 939-4500

Attorneys for Respondent

COCKLE LAW BRIEF PRINTING CO., (800) 225-6964
OR CALL COLLECT (402) 342-2831

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RULE 29.1 STATEMENT

National Coupling Company, Inc. has no parent company and no subsidiaries.

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BRIEF IN OPPOSITION

STATEMENT UNDER RULE 24.1(f) OF REGULATION INVOLVED

Snap-Tite, Inc. ("Snap-Tite") failed to specifically identify, as required by SUP. CT. R. 24.1(f), that this case specifically involves 37 C.F.R. § 1.28(c). However, Snap-Tite did set forth the entire regulation at page A14 in the appendix to its petition for writ of certiorari.

ADDITIONAL SIGNIFICANT FACTS NOT INCLUDED IN SNAP-TITE'S STATEMENT OF THE CASE

Snap-Tite's statement of facts fails to disclose that the United States Patent and Trademark Office has accepted

the verified statement of National Coupling Company, Inc. ("National") with respect to the payment of the deficiency between the small and large entity maintenance fees for U.S. Patent No. 4,694,859 (the " '859 patent") (*See* Maintenance Fee Statement attached hereto in the appendix as A1-A2). Snap-Tite petitioned the Commissioner of Patents and Trademarks on March 31, 1993, for a ruling that the '859 patent had expired for failure to pay the maintenance fee, and the Commissioner dismissed the petition in April, 1994, on grounds that Snap-Tite lacks standing to object to the Patent and Trademark Office's acceptance of verified statements under 37 C.F.R. § 1.28(c). Snap-Tite did not appeal the denial of its petition. The Commissioner's decision is attached hereto in the appendix as A3-A4.

Snap-Tite's petition raises the issue of the failure to pay the large entity maintenance fee for United States Patent No. 4,574,780 (the " '780 patent"). However, the '780 patent was dismissed from the proceedings by the District Court for lack of subject matter jurisdiction, and this dismissal was affirmed by the Federal Circuit without opinion. Snap-Tite has not petitioned for a writ of certiorari as to this dismissal, and therefore it is conclusively established that the District Court had no subject matter jurisdiction over the '780 patent. Accordingly, it is improper for Snap-Tite to include the '780 patent in the present petition concerning payment of maintenance fees because Snap-Tite has not petitioned for review of the subject matter jurisdiction issue.

Moreover, on appeal to the Federal Circuit on the maintenance fee issue, Snap-Tite only argued the issue

with respect to the '859 patent. Now, Snap-Tite is improperly attempting to bring the '780 patent into issue without any basis for doing so. Accordingly, National objects to consideration of the '780 patent on the basis of lack of subject matter jurisdiction and waiver.

SUMMARY OF THE ARGUMENT

As an initial matter, Snap-Tite has completely failed to set forth any special or important reasons for the grant of Snap-Tite's petition as contemplated by Rule 10.1, Rules of the Supreme Court. The present matter does not concern any conflict between the United States courts of appeals or even an issue that has been treated in any reported decision.

With respect to the merits of Snap-Tite's argument, 37 C.F.R. § 1.28(c) applies to maintenance fees, and Snap-Tite has cited no evidence to contradict the District Court's finding that National fully complied with § 1.28(c) with respect to the '859 patent.

Snap-Tite has not disputed that § 1.28(c) is a lawfully promulgated regulation and as such has the force and effect of law. Section 1.28(c) speaks to the specific facts at hand and is the applicable law to be applied to the present case. The statute and regulations relied on by Snap-Tite are general in nature and do not affect the applicability of the more specific § 1.28(c).

REASONS FOR DENYING THE WRIT

1. THERE IS NO SPECIAL OR IMPORTANT REASON FOR GRANTING THE WRIT.

Snap-Tite's petition involves the specific issue of whether National has complied with 37 C.F.R. § 1.28(c) that allows a patent owner to remedy a good faith error of paying a small entity maintenance fee when, in actuality, a large entity maintenance fee was due. It should be noted that Snap-Tite does not argue that 37 C.F.R. § 1.28(c) is somehow invalid or "inconsistent with law" – only that § 1.28(c) is inapplicable to the facts at hand and alternatively that National has not complied with § 1.28(c). However, such issues are insignificant and do not merit a grant of Snap-Tite's petition.

SUP. CT. R. 10.1 sets forth the policy that a petition for a writ of certiorari will be granted only when there are special and important reasons. Rule 10.1 also sets forth a list of reasons that indicate the character of a special or important reason. Snap-Tite's petition simply does not rise to the level of an important matter meriting review by the Supreme Court. National has found no reported decisions or computer database court decisions on this issue. Therefore, there is certainly no conflict among the United States courts of appeals. And, there is no established "accepted and usual course of judicial proceedings" that could have been departed from by the courts below. The absence of any decisions regarding § 1.28(c) illustrates the lack of any conflict regarding this matter. Because of such lack of conflict regarding § 1.28(c), Snap-Tite's petition should be denied.

2. 37 C.F.R. § 1.28(c) APPLIES TO MAINTENANCE FEES.

Snap-Tite's argument that § 1.28(c) does not apply to maintenance fees completely ignores the plain language of § 1.28(c). At page eight of Snap-Tite's petition, Snap-Tite states:

> It is the improper establishment and improper continued benefit of status as a small entity that constitutes error as set forth in 37 C.F.R. § 1.28(c), not the improper payment of maintenance fees.

First of all, this statement is self-contradictory and nonsensical. The only "benefit" of small entity status is the payment of reduced fees termed "small entity fees." This is exactly what National did – pay small entity fees. That Snap-Tite characterizes National's small entity payment as "improper" does not change the fact that National paid the proper small entity fee.[1] Therefore, National continued, in good faith error, to benefit from status as a small entity, and such is exactly what Snap-Tite claims constitutes excusable error as set forth in § 1.28(c).

Section 1.28(c) specifically provides, in pertinent part:

> If status as a small entity is established in good faith, and fees as a small entity are paid in good faith, in any application or patent, and it is later discovered . . . *that through error the Office was not notified of a change in status as required by paragraph (b) of this section,* the error will be

---

[1] Snap-Tite does not dispute that National's payment was the correct small entity amount.

> excused . . . (2) if any deficiency between the amount paid and the amount due is paid more than three months after the date the error occurred and the payment is accompanied by a verified statement explaining how the error in good faith occurred and how and when it was discovered.

37 C.F.R. § 1.28(c) (emphasis added).

Snap-Tite does not dispute that there was a change in National's status. It is this change in status that National, in good faith error, failed to notify the Patent and Trademark Office of before payment of the next maintenance fee on the '859 patent. Snap-Tite's arbitrary labeling of National's small entity payment as an "improper payment" does not change the fact that National's small entity payment falls squarely within the language of § 1.28(c).

At page eight of Snap-Tite's petition, Snap-Tite argues that § 1.28(c) does not apply to maintenance fees at all. However, a plain reading of § 1.28(c) reveals such an argument is clearly erroneous. First of all, § 1.28(c) states in pertinent part:

> . . . that through error the Office was not notified of a change in the status as required by paragraph (b) of this section . . .

37 C.F.R. § 1.28(c). Section 1.28(b) states in pertinent part:

> Once status as a small entity has been established in an application or patent, fees as a small entity may thereafter be paid in that application *or patent* without regard to a change in status until the issue fee is due *or any maintenance fee is due.*

37 C.F.R. § 1.28(b) (emphasis added). As can be seen, § 1.28(b) specifically refers to patents and maintenance fees. Thus § 1.28(c) was clearly intended to apply to the good faith, erroneous payment of a small entity maintenance fee when, in fact, the status had changed and a large entity fee was due.

Snap-Tite's argument also ignores the language of § 1.28(c) itself where the regulation refers to the establishment of small entity status and the payment of fees "in any application *or patent*." 37 C.F.R. § 1.28(c) (emphasis added). Maintenance fees are fees paid to maintain patents – not applications. Therefore, contrary to Snap-Tite's argument, § 1.28(c) clearly applies to maintenance fees.

Snap-Tite misrepresents the relevance of the time lines of enactments of various regulations and statutes. First, Snap-Tite, in a self-contradictory argument, states on page six of its petition that § 1.28(c) was promulgated in 1982 prior to 1986 when 35 U.S.C. § 41(h) was added to 35 U.S.C. § 41 and that therefore § 1.28(c) cannot be considered as a regulation implementing the policy of 35 U.S.C. § 41(h) regarding small entity fees. However, in the next paragraph, Snap-Tite explains how 35 U.S.C. § 41(h) existed in a prior form in 1982 and that 1986 was simply the year that the law was designated as 35 U.S.C. § 41(h). Snap-Tite's argument is also nonsensical because how could the Commissioner of Patents promulgate a regulation that refers to "large entity" and "small entity" fees if there was no statute that used similar phrasing?

The precursor laws to 35 U.S.C. § 41(h) used such phrasing and § 1.28(c) was promulgated to implement such laws.

Snap-Tite's discussion of the 1982 and 1984 rulemakings are similarly unavailing to Snap-Tite's argument that § 1.28(c) does not apply to maintenance fees. As noted in Snap-Tite's petition, 35 U.S.C. § 41 concerning maintenance fees was enacted in 1980. Section 41(b) applies to patents issuing from applications filed on or after December 12, 1980. That the first maintenance fee would not be due until 1984 is inconsequential to the fact that § 1.28(c) was promulgated after 1980.

None of Snap-Tite's arguments attempt to address the fact that the plain language of § 1.28(c) refers to "patents" and references § 1.28(b) which refers to "patents" and "maintenance fees." Snap-Tite's arguments repeatedly dance around this incontrovertible fact.

3. NATIONAL HAS COMPLIED WITH § 1.28(c).

Snap-Tite has not disputed that National's status as a small entity was established in good faith at the incipiency of the patent application which became the '859 patent. Therefore, the issue is whether National's error in not notifying the Patent and Trademark Office of a change in such status occurred in good faith. It is this factual issue that was found to be a "non-issue" by the District Court (*See* Snap-Tite's petition, A5) and that was affirmed without opinion by the Federal Circuit (Snap-Tite's petition, A1). Additionally, the Patent and Trademark Office accepted National's verified statement

regarding the good faith error, and such acceptance of the verified statement was affirmed by the Commissioner of the United States Patent and Trademark Office in a decision on a petition by Snap-Tite to the Commissioner on this matter (National's opposition, A3-A4).

Snap-Tite has not pointed to any evidence that would indicate that National purposefully paid the small entity maintenance fee instead of the large entity fee. Snap-Tite's convoluted argument about Mr. Dellett being incapable of inadvertence is nonsensical. The verified statement (Snap-Tite's petition, A6-A7) states that Mr. Dellett failed in good faith to notify Computer Patent Annuities of a change in entity status. There is nothing in Mr. Dellett's testimony, quoted on page eleven of Snap-Tite's petition, where Mr. Dellett denied that he had a duty to notify Computer Patent Annuities of a change in status. Mr. Dellett's testimony was that he simply was not aware of the change in small entity status and that no such change in status was communicated to Computer Patent Annuities which handled the mechanics of the actual payment of the fees to the Patent and Trademark Office. This is different from the responsibility, which Mr. Dellett clearly had, to notify Computer Patent Annuities that a change in entity status had occurred if he had knowledge of such change in status. Mr. Dellett testified at trial regarding his verified statement which sets forth his good faith error in failing to notify Computer Patent Annuities, and consequently the Patent and Trademark Office, of the change in small entity status. The District Court was in the unique position to consider the credibility of Mr.

Dellett. Snap-Tite's esoteric arguments cannot defeat the District Court's firm pronouncement from the bench:

> I think this issue of whether the proper fee was paid on time is a non-issue.

Snap-Tite's petition at A5.

4. 35 U.S.C. § 41(b) AND 37 C.F.R. §§ 1.362, 1.366 AND 1.378 DO NOT AFFECT THE APPLICABILITY OF 37 C.F.R. § 1.28(c).

The Commissioner of Patents and Trademarks has been given broad rule-making powers under 35 U.S.C. § 6 to promulgate regulations to implement the statutory scheme and for the conduct of proceedings in the Patent and Trademark Office. 35 U.S.C. § 6(a). *Accord Gerritsen v. Shirai*, 979 F.2d 1524, 1528 (Fed. Cir. 1992). A rule promulgated pursuant to statutory authority has the force and effect of law. *Animal Legal Defense Fund v. Quigg*, 932 F.2d 920, 930-31 (Fed. Cir. 1991). Snap-Tite does not dispute that § 1.28(c) was duly promulgated under the rule-making authority of the Commissioner of Patents and Trademarks, and therefore, has the force and effect of law.

Snap-Tite's argument essentially amounts to a plea to ignore § 1.28(c) and instead, look at more general statutes and regulations to the exclusion of § 1.28(c). However, more specific statutes and regulations should be applied over more general statutes and regulations that do not speak to a specific situation. *See Guidry v. Sheet Metal Workers National Pension Fund*, 493 U.S. 365, 375, 110 S.Ct. 680, 687 (1990). In this case, § 1.28(c) speaks directly to the specific fact situation of a patent owner paying small entity fees in good faith when in actuality, large entity

fees were due. Therefore, § 1.28(c) is the applicable law to be applied to the present situation.

Section 1.28(c) speaks to payments of what the payor believes in good faith to be the proper fee as a result of a yet undiscovered error concerning entity status. The statutes and regulations relied on by Snap-Tite are general and speak to simply paying the proper amount of the maintenance fee. A patent owner that satisfies the requirements of § 1.28(c) also satisfies the statute and other regulations because the patent owner has paid the proper fee at the time of payment; it is only a later-found mistake that raises the need for submission of the deficiency pursuant to § 1.28(c).

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be denied.

Respectfully submitted.

CHARLES S. COTROPIA
Counsel of Record
WESLEY T. NOAH
RICHARDS, MEDLOCK & ANDREWS
1201 Elm Street
4500 Renaissance Tower
Dallas, Texas 75270-2197
(214) 939-4500

Attorneys for Respondent

October 6, 1994

(LOGO) **UNITED STATES DEPARTMENT OF COMMERCE**
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DANNY L. WILLIAMS, ESQ.
ARNOLD, WHITE & DURKEE
P. O. BOX 4433
HOUSTON, TX 77210

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MAINTENANCE FEE STATEMENT

The data shown below is from the records of the Patent and Trademark Office. If the maintenance fees and any necessary surcharges have been timely paid for the patents listed below, the notation "PAID" will appear in column 10, "status" below.

If a maintenance fee payment is defective, the reason is indicated by code in column 10, "status" below. An explanation of the codes appears on the reverse of the Maintenance Fee Statement. TIMELY CORRECTION IS REQUIRED IN ORDER TO AVOID EXPIRATION OF THE PATENT. NOTE 37 CFR 1.377. THE PAYMENT(S) WILL BE ENTERED UPON RECEIPT OF ACCEPTABLE CORRECTION. IF PAYMENT OR CORRECTION IS SUBMITTED DURING THE GRACE PERIOD, A SURCHARGE IS ALSO REQUIRED. NOTE 37 CFR 1.20(k) and (l).

If the statement of small entity status is defective the reason is indicated below in column 10 for the related patent number. THE STATEMENT OF SMALL ENTITY

STATUS WILL BE ENTERED UPON RECEIPT OF ACCEPTABLE CORRECTION.

ITM NBR	PATENT NUMBER	FEE CDE	FEE AMOUNT	SUR CHARGE
1	4,694,859	173	830	___

SERIAL NUMBER	PATENT DATE	FILE DATE	PAY YR	SML ENT	STAT
06/801,477	09/22/87	11/25/85	04	NO	PAID

If the "status" column for a patent number listed above does not indicate "PAID" a code or an asterisk (*) will appear in the "status" column. Where an asterisk (*) appears, the codes are set out below by the related item number. An explanation of the codes indicated in the "status" column and as set out below by the related item number appears on the reverse of the maintenance fee statement.

ITM NBR	ATTY DKT NUMBER
1	NATT:001-WID

DIRECT THE RESPONSE TOGETHER WITH ANY QUESTIONS ABOUT THIS NOTICE TO: COMMISSIONER OF PATENTS AND TRADEMARKS, BOX M. FEE, WASHINGTON, DC 20231

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Patent and Trademark Office
ASSISTANT SECRETARY AND COMMISSIONER OF PATENTS AND TRADEMARKS
Washington, D.C. 20231

JVN

KENNETH L. MITCHELL
WOODLING, KROST and RUST
530 NATIONAL CITY EAST SIXTH BLDG.
CLEVELAND, OHIO 44114

In re Maintenance Fee Payments :
for U.S. Patents No's. : ON PETITION
4,694,859 and 4,754,780 :

This is a decision on the petition, filed March 31, 1993 and supplemented on March 18, 1994, under 37 CFR 1.182 for a determination that the above-identified patents have expired.

The petition is dismissed.

37 CFR 1.182 allows for petitions to be filed concerning "questions not specifically provided for." Rule 1.182 states:

> "All cases not specifically provided for in the regulations of this part will be decided in accordance with the merits of each case by or under the authority of the Commissioner, and such decision will be communicated to the interested parties in writing."

Rule 1.182 by its terms applies only where other rules are inapplicable and is not intended as a means for evading the requirements of other rules. *Hicks v. Costello,* 1903 C.D. 123 (Comm'r. Pat. 1903).

A petition under Rule 1.182 is justified only under unusual circumstances. A petition under this rule will only be granted when the circumstances of the case call for an exercise of the Commissioners authority in questions not specifically provided for in the rules.

Proceedings relative to the payment of maintenance fees before the Patent and Trademark Office (PTO) ordinarily are *ex parte*. Nothing in the law or regulations gives rise to a right in nonpatentees to object to the way in which the PTO processes maintenance fee payments. A third party has no right to intervene in the PTO processing of maintenance fee payments.

The PTO processing of maintenance fee payments is *ex parte* in nature. It is a question between the patentee and the PTO on behalf of the public, and no member of the public is ordinarily permitted to participate in the matter.

The PTO has reviewed petitioner's arguments, but will not further treat this matter other than to note that PTO records reveal that the above-identified patents are not expired.

/s/ Jeffrey V. Nase
Jeffrey V. Nase, Director
Office of Petitions
Office of the Assistant Commissioner
for Patents

cc:
CHARLES S. COTROPIA, ESQ.
RICHARDS, MEDLOCK & ANDREWS
4500 RENAISSANCE TOWER
1201 ELM STREET
DALLAS, TEXAS 75270-2197